

Loa Town,
Wayne County, Utah

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2005

Loa Town
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June 30, 2005

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Kimball & Roberts

Certified Public Accountants
A Professional Corporation

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Richfield, Utah 84701

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Honorable Mayor and Town Council
Loa Town
Loa, Utah 84747

We have reviewed the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Loa Town as of and for the year ended June 30, 2005, which collectively comprise the Town's basic financial statements as listed in the table of contents, in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Loa Town.

A review consists principally of inquiries of Town personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

The management discussion and analysis, condition assessment of the Town's infrastructure and budgetary comparison information on pages 5 through 11 and 41 through 42, are not a required part of the basic financial statements but are supplementary information required by the Governmental accounting Standards Board. Such information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but was compiled from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

December 14, 2005
Richfield, Utah

MANAGEMENT'S DISCUSSION AND ANALYSIS

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Loa Town
Management's Discussion and Analysis
June 30, 2005

As management of Loa Town (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of financial activities of the Town for the fiscal year ended June 30, 2005.

FINANCIAL HIGHLIGHTS

- *Total net assets for the Town as a whole increased by \$66,330.
- *Total unrestricted net assets for the Town as a whole increased by \$69,270.
- *Total net assets for governmental activities increased by \$43,749.
- *Total net assets for business-type activities increased by \$22,582.

BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements of Loa Town. The basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The statement of activities is presented on two pages. The first page reports the extent to which each function or program is self-supporting through fees and intergovernmental aid. The second page identifies the general revenues of the Town available to cover any remaining costs of the functions or programs.

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Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

Because of the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the government fund balance sheet and the government fund statement of the revenues, expenditures, and changes in fund balances provide reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town's general fund is its only major governmental fund. The capital projects fund is reported as non-major.

The Town adopts an annual appropriated budget for its general and capital project funds. A budgetary comparison schedule has been provided to demonstrate legal compliance with the adopted budget for the general fund.

The basic governmental fund financial statements can be found later in this report; see Table of Contents.

Proprietary funds. The Town maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses two enterprise funds to account for the operations of the water and landfill utilities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise funds are considered major funds of the Town.

The proprietary fund financial statements can be found later in this report; see Table of Contents.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are reported later in this report; see Table of Contents.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town.

Loa Town
Management's Discussion and Analysis
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FINANCIAL ANALYSIS

Loa Town's Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Current Year</u>	<u>Total Previous Year</u>
	<u>Current Year</u>	<u>Previous Year</u>	<u>Current Year</u>	<u>Previous Year</u>		
Current and other assets	\$ 346,625	261,439	348,378	326,431	695,003	587,870
Capital assets	<u>673,921</u>	<u>714,025</u>	<u>770,200</u>	<u>786,482</u>	<u>1,444,121</u>	<u>1,500,507</u>
Total assets	<u>1,020,546</u>	<u>975,464</u>	<u>1,118,578</u>	<u>1,112,913</u>	<u>2,139,124</u>	<u>2,088,377</u>
Long-term liabilities	67,700	68,854	410,000	430,000	477,700	498,854
Other liabilities	<u>3,118</u>	<u>631</u>	<u>5,958</u>	<u>2,875</u>	<u>9,077</u>	<u>3,506</u>
Total liabilities	<u>70,818</u>	<u>69,485</u>	<u>415,958</u>	<u>432,875</u>	<u>486,777</u>	<u>502,360</u>
Net assets:						
Invested in capital assets, net of debt	606,221	645,171	360,200	356,482	966,421	1,001,653
Restricted	89,047	63,193	6,438		95,485	63,193
Unrestricted	<u>254,459</u>	<u>197,614</u>	<u>335,981</u>	<u>323,556</u>	<u>590,441</u>	<u>521,170</u>
Total net assets	\$ <u>949,727</u>	<u>905,978</u>	<u>702,620</u>	<u>680,038</u>	<u>1,652,347</u>	<u>1,586,017</u>

As noted earlier, net assets may serve over time as a useful indicator of financial position. Total assets exceeded total liabilities at the close of the year by \$1,652,347, an increase from the previous year of \$66,330. This increase is equivalent to the net income for the year, in private sector terms.

Total unrestricted net assets at the end of the year are \$590,441, which represents an increase of \$69,270 from the previous year. Unrestricted net assets are those available to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

The amount of current and other assets represent the amounts of cash and receivables on hand at the end of each year. Other liabilities are the amounts of current and other assets due, at year end, for goods and services acquired.

Changes in capital assets are the result of the difference, in the current year, of the cost of acquisition of capital assets and any depreciation charges on capital assets. Change in long-term debt is the difference in the amount of debt issued and that which has been paid during the year.

Loa Town
Management's Discussion and Analysis
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FINANCIAL ANALYSIS (continued)

Loa Town's Changes in Net Assets:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	<u>Total</u>
	<u>Current Year</u>	<u>Previous Year</u>	<u>Current Year</u>	<u>Previous Year</u>	<u>Current Year</u>	<u>Previous Year</u>
Program revenues:						
Charges for services	\$ 9,552	17,059	87,922	74,906	97,474	91,965
Operating grants	33,293	55,363			33,293	55,363
Capital grants			4,284		4,284	
General revenues:						
Property taxes	8,324	8,397	-	-	8,324	8,397
Sales taxes	99,196	76,404			99,196	76,404
Franchise taxes	366	882			366	882
Other revenues	<u>4,643</u>	<u>2,018</u>	<u>3,736</u>	<u>2,563</u>	<u>8,380</u>	<u>4,581</u>
Total revenues	<u>155,373</u>	<u>160,123</u>	<u>95,942</u>	<u>77,469</u>	<u>251,315</u>	<u>237,592</u>
Expenses:						
Administration	42,801	38,507			42,801	38,507
Public safety	16,264	14,571			16,264	14,571
Streets and highways	41,713	90,118			41,713	90,118
Parks and recreation	8,910	27,060			8,910	27,060
Cemetery	1,935				1,935	
Water			71,647	61,526	71,647	61,526
Irrigation			<u>1,713</u>		<u>1,713</u>	
Total expenses	<u>111,624</u>	<u>170,256</u>	<u>73,360</u>	<u>61,526</u>	<u>184,984</u>	<u>231,782</u>
Excess (deficiency) before transfers	<u>43,749</u>	<u>(10,133)</u>	<u>22,582</u>	<u>15,943</u>	<u>66,330</u>	<u>5,810</u>
Transfers	-	-	-	-	-	-
Increase (decrease) in net assets	<u>\$ 43,749</u>	<u>(10,133)</u>	<u>22,582</u>	<u>15,943</u>	<u>66,330</u>	<u>5,810</u>

Total revenues increased by \$13,723, while total expenses decreased by \$46,798. The total net increase for the year of \$66,330 is an increase from the previous year of \$60,520.

Governmental activities revenues of \$155,373 is a decrease of \$4,750 from the previous year. Intergovernmental revenues, consisting of sales tax and Class C road allotments, were relatively unchanged, overall. Also, building permit fees and cemetery fees have decreased compared to last year. Governmental activities expenses of \$111,624 is a decrease of \$58,632 from the previous year. This is a result of fewer street repairs and maintenance expenditures for buildings.

Business-type activities revenue of \$95,942 is an increase of \$18,473 from the previous year. This is a result of the addition of the irrigation systems this year. Business-type activities expenses of \$73,360 is an increase of \$11,834 from the previous year. This is generally the result of the expenses of the irrigation system, which was acquired during the year, and were not included in the previous year. Another factor in the increase in expenses is that this is the first full year interest has been paid toward a revenue bond obtained in 2003 (see note 3-D to the financial statements).

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BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS

Some of the more significant changes in fund balances and fund net assets and any restrictions on those amounts are described below:

General Fund

The fund balance in the general fund of \$266,915 reflects an increase of \$85,111 from the previous year. Reservations in the general fund at year end amount to \$89,047 for debt service, revolving loans, and Class C roads.

Water Fund

Unrestricted net assets at the end of the year were \$325,053. This is an increase of \$1,497 from the previous year. Reservations in the water fund at year end amount to \$6,438 for debt service.

Irrigation Fund

Unrestricted net assets at the end of the year were \$10,928. This is the first reporting year for the irrigation fund, so there are no comparative figures for the prior year. There are no reservations in the irrigation fund at year end.

GENERAL FUND BUDGETARY HIGHLIGHTS

Revenues for the current year, exclusive of transfers and fund balance appropriations, were originally budgeted in the amount of \$144,650. This amount was changed in the final budget to \$132,659.

Expenditures for the current year, excluding transfers, were originally budgeted in the amount of \$125,400. This amount was amended in the final budget to \$80,128.

There were no transfers for the year.

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CAPITAL ASSET AND DEBT ADMINISTRATION

Loa Town's Capital Assets (net of depreciation):

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	<u>Total</u>
	<u>Current Year</u>	<u>Previous Year</u>	<u>Current Year</u>	<u>Previous Year</u>	<u>Current Year</u>	<u>Prior Year</u>
Net Capital Assets:						
Land and water rights	\$ 21,720	21,720			21,720	21,720
Buildings	295,813	305,296			295,813	305,296
Improvements other than buildings	20,000	21,250			20,000	21,250
Equipment	51,578	46,800			51,578	46,800
Infrastructure	284,810	318,959			284,810	318,959
Water system			762,018	786,482	762,018	786,482
Irrigation system			8,183		8,183	
Work in progress	-	-	-	-	-	-
Totals	<u>\$673,921</u>	<u>714,025</u>	<u>770,200</u>	<u>786,482</u>	<u>1,444,121</u>	<u>1,500,507</u>

The total amount of capital assets, net of depreciation, of \$1,444,121 is a decrease of \$56,386 from the previous year. The decrease in capital assets represents the recording of depreciation.

Governmental activities capital assets, net of depreciation, of \$673,921 is a decrease of \$40,104 from the previous year.

Business-type activities capital assets, net of depreciation, of \$770,200 is a decrease of \$16,282 from the previous year.

Additional information regarding capital assets may be found in the notes to financial statements.

Loa Town
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CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Loa Town's Outstanding Debt - Revenue Bonds

	Current Year	Previous Year
Governmental activities:		
Public safety RDA 2002	\$ <u>67,700</u>	<u>68,854</u>
Total governmental activities long-term debt	<u>67,700</u>	<u>68,854</u>
Business-type activities:		
Water 2002A	220,000	230,000
Water 2002B	<u>190,000</u>	<u>200,000</u>
Total business-type activities long-term debt	<u>410,000</u>	<u>430,000</u>
Total long-term obligations	<u>\$477,700</u>	<u>498,854</u>

Principal was repaid on governmental bonds in the amount of \$1,154. Principal was repaid on the business-type bonds in the amount of \$20,000. Total outstanding debt decreased by \$21,154.

Additional information regarding the long-term liabilities may be found in the notes the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

No significant economic changes that would affect the Town are expected for the next year. Budgets have been set on essentially the same factors as the current year being reported.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Loa Town's finances for all those with an interest in the Town's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the Loa Town Clerk, P.O. Box 183, Loa, Utah, 84747.

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BASIC FINANCIAL STATEMENTS

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Loa Town
STATEMENT OF NET ASSETS
June 30, 2005

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 321,101	324,518	645,619
Accounts receivable	<u>24,638</u>	<u>17,422</u>	<u>42,060</u>
Total current assets	<u>345,739</u>	<u>341,940</u>	<u>687,679</u>
Non-current assets:			
Restricted cash and cash equivalents	886	6,438	7,324
Capital assets, net of depreciation	<u>673,921</u>	<u>770,200</u>	<u>1,444,121</u>
Total non-current assets	<u>674,807</u>	<u>776,638</u>	<u>1,451,445</u>
Total assets	<u>\$1,020,546</u>	<u>1,118,578</u>	<u>2,139,124</u>
LIABILITIES:			
Current Liabilities:			
Accounts payable	\$ 706	-	706
Accrued interest payable	2,412	5,958	8,370
Revenue bonds due within one year	<u>1,209</u>	<u>20,000</u>	<u>21,209</u>
Total current liabilities	<u>4,327</u>	<u>25,958</u>	<u>30,286</u>
Non-current liabilities:			
Revenue bonds due after one year	<u>66,491</u>	<u>390,000</u>	<u>456,491</u>
Total non-current liabilities	<u>66,491</u>	<u>390,000</u>	<u>456,491</u>
Total liabilities	<u>70,818</u>	<u>415,958</u>	<u>486,777</u>
NET ASSETS:			
Invested in capital assets, net of related debt:	606,221	360,200	966,421
Restricted:			
Debt service	886	6,438	7,324
Revolving loans	62,750	-	62,750
Class C roads	25,411	-	25,411
Unrestricted	<u>254,459</u>	<u>335,981</u>	<u>590,238</u>
Total net assets	<u>949,727</u>	<u>702,620</u>	<u>1,652,347</u>
Total liabilities and net assets	<u>\$1,020,546</u>	<u>1,118,578</u>	<u>2,139,124</u>

The notes to the financial statements are an integral part of this statement.

Loa Town
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2005

	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	Net (Expense) Revenue (To Next Page)
<u>FUNCTIONS/PROGRAMS:</u>					
Primary government:					
Governmental activities:					
Administration	\$ 42,801	8,202	-	-	(34,599)
Public safety - fire	12,993	-	1,117	-	(11,875)
Streets and highways	41,713	-	32,875	-	(8,838)
Cemetery	1,935	650	-	-	(1,285)
Parks and recreation	8,910	-	-	-	(8,910)
Interest on long-term debt	<u>3,271</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,271)</u>
Total governmental activities	<u>111,624</u>	<u>8,852</u>	<u>33,993</u>	<u>-</u>	<u>(68,779)</u>
Business-type activities:					
Water	71,647	71,464	-	-	(183)
Irrigation	<u>1,713</u>	<u>16,540</u>	<u>-</u>	<u>4,284</u>	<u>19,111</u>
Total business-type activities	<u>73,360</u>	<u>88,005</u>	<u>-</u>	<u>4,284</u>	<u>18,928</u>
Total primary government	<u>\$184,984</u>	<u>96,857</u>	<u>33,993</u>	<u>4,284</u>	<u>(49,851)</u>

(Continued on next page)

The notes to the financial statements are an integral part of this statement.

Loa Town
STATEMENT OF ACTIVITIES (continued)
For the Year Ended June 30, 2005

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
CHANGE IN NET ASSETS:			
Net (expense) revenue (from previous page)	<u>\$(68,779)</u>	<u>18,928</u>	<u>(49,851)</u>
General revenues:			
Property taxes	8,324	-	8,324
Franchise tax	366	-	366
Sales taxes	99,196	-	99,196
Unrestricted investment earnings	3,779	3,653	7,433
Miscellaneous	<u>864</u>	<u>-</u>	<u>864</u>
Total general revenues	<u>112,528</u>	<u>3,653</u>	<u>116,182</u>
Transfers	<u>-</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers	<u>112,528</u>	<u>3,653</u>	<u>116,182</u>
Change in net assets	<u>43,749</u>	<u>22,582</u>	<u>66,330</u>
Net assets - beginning	<u>905,978</u>	<u>680,038</u>	<u>1,586,016</u>
Net assets - ending	<u>\$949,727</u>	<u>702,620</u>	<u>1,652,347</u>

The notes to the financial statements are an integral part of this statement.

Loa Town
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2005

	General Fund	Other Governmental Funds	Total Governmental
ASSETS:			
Cash and cash equivalents	\$242,097	79,004	321,101
Receivables, net of allowances:			
Due from other governments	22,974	-	22,974
Other receivables	1,664	-	1,664
Restricted cash and cash equivalents	<u>886</u>	<u>-</u>	<u>886</u>
TOTAL ASSETS	<u>\$267,622</u>	<u>79,004</u>	<u>346,625</u>
LIABILITIES:			
Accounts payable	\$ <u>706</u>	<u>-</u>	<u>706</u>
TOTAL LIABILITIES	<u>706</u>	<u>-</u>	<u>706</u>
FUND BALANCES:			
Reserved for:			
Debt service	886	-	886
Revolving loans	62,750	-	62,750
Class C roads	25,411	-	25,411
Unreserved, reported in:			
General fund	177,868	-	177,665
Other governmental funds	<u>-</u>	<u>79,004</u>	<u>79,004</u>
TOTAL FUND BALANCES	<u>266,915</u>	<u>79,004</u>	<u>345,919</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$267,622</u>	<u>79,004</u>	<u>346,625</u>

The notes to the financial statements are an integral part of this statement.

Loa Town
**STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**
 For the Year Ended June 30, 2005

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:			
Taxes:			
Property	\$ 8,324	-	8,324
Sales	99,196	-	99,196
Franchise fees	366	-	366
Licenses and permits	8,202	-	8,202
Intergovernmental revenues	33,293	-	33,293
Charges for services	1,350	-	1,350
Interest	3,779	-	3,779
Miscellaneous revenue	<u>864</u>	<u>-</u>	<u>864</u>
Total revenues	<u>155,373</u>	<u>-</u>	<u>155,373</u>
EXPENDITURES:			
Current:			
General government	41,426	-	41,426
Public safety	2,119	-	2,119
Highways and public improvements	7,564	-	7,564
Parks, recreation and public property	5,192	-	5,192
Cemetery	1,935	-	1,935
Capital outlay:			
Parks	-	-	-
Cemetery	7,600	-	7,600
Highways and public improvements	-	-	-
Debt service:			
Principal	1,154	-	1,154
Interest	<u>3,271</u>	<u>-</u>	<u>3,271</u>
Total expenditures	<u>70,262</u>	<u>-</u>	<u>70,262</u>
Excess (Deficiency) of Revenues over (Under) Expenditures	<u>85,111</u>	<u>-</u>	<u>85,111</u>
Net Change in Fund Balances	85,111	-	85,111
Fund balances - beginning of year	<u>181,804</u>	<u>79,004</u>	<u>260,807</u>
Fund Balances - end of year	<u>\$266,915</u>	<u>79,004</u>	<u>345,919</u>

The notes to the financial statements are an integral part of this statement.

Loa Town
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS**
June 30, 2005

Total Fund Balances for Governmental Funds	<u>\$345,919</u>
Total net assets reported for governmental activities in the statement are different because:	
Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds.	
Capital assets, at cost	1,199,639
Less accumulated depreciation	<u>(525,718)</u>
Net capital assets	<u>673,921</u>
Long-term debt, for funds other than enterprise funds, are recorded in the government-wide statements but not in the fund statements.	
General long-term debt	<u>(67,700)</u>
Interest accrued but not yet paid on general long-term debt	<u>(2,412)</u>
Total Net Assets of Governmental Activities	<u>\$949,727</u>

The notes to the financial statements are an integral part of this statement.

Loa Town
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**
June 30, 2005

Net Change in Fund Balances - Total Governmental Funds **\$ 85,111**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with a material cost are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expenses.

Capital outlays	7,600
Depreciation expense	<u>(47,704)</u>
Net	<u>(40,104)</u>

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Long-term debt principal repayments	1,154
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Accrued interest for long-term debt is not reported as an expenditure for the current period while it is recorded in the statement of activities.

Accrued interest on long-term debt at end of period	<u>(2,412)</u>
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Change in Net Assets of Governmental Activities **\$ 43,749**

The notes to the financial statements are an integral part of this statement.

Loa Town
STATEMENT OF NET ASSETS - PROPRIETARY FUND
June 30, 2005

	Water Fund	Irrigation Fund	Total
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 313,590	10,928	324,518
Accounts receivable	17,422	-	17,422
Other current assets	-	-	-
Total current assets	<u>331,012</u>	<u>10,928</u>	<u>341,940</u>
Non-current assets:			
Restricted cash and cash equivalents	6,438	-	6,438
Capital assets, net of depreciation	<u>762,018</u>	<u>8,183</u>	<u>770,200</u>
Total non-current assets	<u>768,456</u>	<u>8,183</u>	<u>776,638</u>
Total assets	<u>\$1,099,467</u>	<u>19,111</u>	<u>1,118,578</u>
LIABILITIES:			
Current liabilities:			
Accounts payable	-	-	-
Accrued interest payable	\$ 5,958	-	5,958
Revenue bonds, current portion	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Total current liabilities	<u>25,958</u>	<u>-</u>	<u>25,958</u>
Non-current liabilities:			
Revenue bonds, long-term	<u>390,000</u>	<u>-</u>	<u>390,000</u>
Total non-current liabilities	<u>390,000</u>	<u>-</u>	<u>390,000</u>
Total liabilities	<u>415,958</u>	<u>-</u>	<u>415,958</u>
NET ASSETS:			
Invested in capital assets, net of related debt	352,018	8,183	360,200
Restricted for:			
Debt service	6,438	-	6,438
Unrestricted	<u>325,053</u>	<u>10,928</u>	<u>335,981</u>
Total net assets	<u>683,509</u>	<u>19,111</u>	<u>702,620</u>
Total liabilities and net assets	<u>\$1,099,467</u>	<u>19,111</u>	<u>1,118,578</u>

The notes to the financial statements are an integral part of this statement.

Loa Town
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
June 30, 2005

	Water Fund	Irrigation Fund	Total
Operating income:			
Charges for services	\$ 1,381	16,540	87,922
Other operating income	<u>83</u>	<u>-</u>	<u>83</u>
Total operating income	<u>71,464</u>	<u>16,540</u>	<u>88,005</u>
Operating expenses:			
Personal services	24,363	-	24,363
Utilities	1,485	1,713	3,198
Repairs and maintenance	7,926	-	7,926
Other supplies and expenses	4,575	-	4,575
Depreciation expense	<u>24,465</u>	<u>-</u>	<u>24,465</u>
Total operating expense	<u>62,814</u>	<u>1,713</u>	<u>64,527</u>
Net operating income (loss)	<u>8,651</u>	<u>14,827</u>	<u>23,478</u>
Non-operating income (expense):			
Interest income	3,653	-	3,653
Interest on long-term debt	<u>(8,833)</u>	<u>-</u>	<u>(8,833)</u>
Total non-operating income (expense)	<u>(5,180)</u>	<u>-</u>	<u>(5,180)</u>
Income (loss) before contributions and transfers	3,471	14,827	18,298
Capital contributions	-	4,284	4,284
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	3,471	19,111	22,582
Net assets, beginning	<u>680,038</u>	<u>-</u>	<u>680,038</u>
Net assets, ending	<u>\$683,509</u>	<u>19,111</u>	<u>702,620</u>

The notes to the financial statements are an integral part of this statement.

Loa Town
STATEMENT OF CASH FLOWS
For the year ending June 30, 2005

	Water Fund	Irrigation Fund	Total
Cash flows from operating activities:			
Cash received from customers - service	\$ 77,798	16,540	94,338
Cash paid to suppliers	(13,986)	(1,713)	(15,699)
Cash paid to employees	<u>(24,363)</u>	<u>-</u>	<u>(24,363)</u>
Net cash provided (used) in operating activities	<u>39,448</u>	<u>14,827</u>	<u>54,275</u>
Cash flows from noncapital financing activities:			
Net cash provided (used) in noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities:			
Cash received from capital grants	-	4,284	4,284
Cash payments for capital assets	-	(8,183)	(8,183)
Cash payments for long-term debt	(20,000)	-	(20,000)
Cash payments for long-term debt interest	<u>(5,750)</u>	<u>-</u>	<u>(5,750)</u>
Net cash provided (used) in capital and related financing activities	<u>(25,750)</u>	<u>(3,899)</u>	<u>(29,649)</u>
Cash flows from investing activities:			
Cash received from interest earned	<u>3,653</u>	<u>-</u>	<u>3,653</u>
Net cash provided (used) in investing activities	<u>3,653</u>	<u>-</u>	<u>3,653</u>
Net increase (decrease) in cash	17,352	10,928	28,280
Cash balance, beginning	<u>302,676</u>	<u>-</u>	<u>302,676</u>
Cash balance, ending	<u>\$320,028</u>	<u>10,928</u>	<u>330,956</u>
Cash reported on the balance sheet:			
Cash and cash equivalents	\$313,590	10,928	324,518
Non-current restricted cash	<u>6,438</u>	<u>-</u>	<u>6,438</u>
Total cash and cash equivalents	<u>\$320,028</u>	<u>10,928</u>	<u>330,956</u>

Continued on next page

The notes to the financial statements are an integral part of this statement.

Loa Town
STATEMENT OF CASH FLOWS, continued
For the year ended June 30, 2005

**Reconciliation of Operating Income
to Net Cash Provided from Operating Activity:**

	<u>Water Fund</u>	<u>Irrigation Fund</u>	<u>Total</u>
Net operating income (expense)	\$ 8,651	14,827	23,478
Adjustments to reconcile operating income or (loss) to net cash provided (used) in operating activities:			
Depreciation and amortization	24,465	-	24,465
Changes in assets and liabilities:			
(Increase) decrease in receivables	<u>6,333</u>	<u>-</u>	<u>6,333</u>
Net cash provided in operating activity	<u>\$39,448</u>	<u>14,827</u>	<u>54,275</u>

The notes to the financial statements are an integral part of this statement.

Loa Town
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1-A. Reporting entity

Loa Town, (the Town), a municipal corporation located in Wayne County, Utah, operates under a Mayor-Council form of government. The accompanying financial statements present the Town and its component units, entities for which the Town is considered to be financially accountable.

The Town has no component units and is not a component unit of another entity.

1-B. Government-wide and fund financial statements

Government-wide Financial Statements

The government-wide financial statements, consisting of the statement of net assets and the statement of changes in net assets report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Indirect expenses are not allocated. All expenses are included in the applicable function. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privilege provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, if any, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statement.

Loa Town
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

1-C. Measurement focus, basis of accounting and financial statement presentation

The financial statements of the Town are prepared in accordance with generally accepted accounting principles (GAAP). The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Town's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Town departments or payments to the general fund by other funds for providing administrative and billing services for such funds. Reimbursements are reported as reductions to expenses. Proprietary and any fiduciary fund financial statements are also reported using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when the grantor eligibility requirements are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, intergovernmental revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments, if any, receivable within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating income and expense reported in proprietary fund financial statements include those revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services, including administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Loa Town
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

**1-C. Measurement focus, basis of accounting, and financial statement presentation
(continued)**

Policy regarding use of restricted resources

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities payable from restricted assets current in nature are reported with current assets and current liabilities. *Restricted assets, non-current* reports assets restricted for acquisition or construction of non-current assets, or are restricted for liquidation of long-term debt.

1-D. Fund types and major funds

Governmental funds

The Town reports the following major governmental fund:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Town reports the following non-major governmental fund:

The *capital projects fund* accounts for capital projects and overhead that can be submitted to grantors for reimbursement.

The *cemetery fund* accounts for money received for upkeep and perpetual care of cemetery plots.

Proprietary funds

The Town reports the following major proprietary funds:

The *water fund* is used to account for the activities of the culinary water distribution.

The *irrigation fund* is used to account for the operations of the irrigation system.

1-E. Assets, Liabilities, and Net Assets or Equity

1-E-1. Deposit and Investments

Investments are reported at fair value. Deposits are reported at cost, which approximates fair value. Investments of the Town are accounts at the Utah Public Treasurers Investments' Fund. Additional information is contained in Note 2.

Loa Town
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

1-E. Assets, Liabilities, and Net Assets or Equity (continued)

1-E-2. Cash and Cash Equivalents

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

1-E-3. Receivables and Payables

Accounts receivable other than property taxes and intergovernmental receivables are from customers primarily for utility services. Property tax and intergovernmental receivables are considered collectible. Customer accounts are considered collectible.

During the course of operations, there may be transactions occur between funds that are representative of lending/borrowing arrangements outstanding at year-end. These are reported as either *due to or due from other funds*.

Property taxes are assessed and collected for the Town by Wayne County and remitted to the Town shortly after collection. Property taxes become a lien on January 1 and are levied on the first Monday in August. Taxes are due and payable on November 1, and are delinquent after November 30. All dates are in the year of levy.

1-E-4. Restricted Assets

In accordance with certain revenue bond covenants, resources may be required to be set aside for the repayment of such bonds, and, on occasion, for the repair and maintenance of the assets acquired with the bond proceeds. These resources are classified as restricted assets on the balance sheet because of their limited use. Most capital grant agreements mandate that grant proceeds be spent only on capital assets. Unspent resources of this nature are also classified as restricted. The limited use resources described above involve a reported restriction of both cash and net assets.

Unspent proceeds of bonds issued to finance capital assets are also reported as restricted cash

1-E-5. Inventories and Prepaid items

Inventories in governmental funds are not reported. These consist of immaterial amounts of expendable supplies for consumption. Such supplies are acquired as needed. Proprietary fund inventories, where material, are stated at the lower of cost or market, using the first-in, first-out basis.

Prepaid items record payments to vendors that benefit future reporting and are reported on the consumption basis. Both inventories and prepayments are similarly reported in government-wide and fund financial statements.

Loa Town
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

1-E. Assets, Liabilities, and Net Assets or Equity (continued)

1-E-6. Capital Assets

Capital assets includes property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual significant cost and an estimated useful life in excess of two years. Such assets are recorded at historical cost or at estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Infrastructure is depreciated.

The cost of normal maintenance and repairs that does not add to the value of an asset or materially extend the assets' life is not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Upon retirement or disposition of capital assets, the cost and related accumulated depreciation are removed from the respective accounts. Depreciation of capital assets is computed using the straight-line method over their estimated useful lives.

Property, plant, and equipment of the primary government, as well as the component units if any, is depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	30-40
Improvements	20
Water system	40
Infrastructure	20
Vehicles and equipment	5-10

1-E-7. Long-term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are deferred and amortized over the terms of the respective bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Significant or material bond issuance costs are reported as deferred charges.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

Loa Town
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

1-E. Assets, Liabilities, and Net Assets or Equity (continued)

1-E-8. Fund Equity

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation of legally restricted for specified purposes. The General Fund reserve for restricted purposes includes fund balance/net assets resulting from Class C road allotments restricted for eligible road maintenance. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

2-A. Budgetary data

Annual budgets are prepared and adopted by ordinance by total for each department, in accordance with State law, by the Mayor and Town Council on or before June 22 for the following fiscal year beginning July 1. Estimated revenues and appropriations may be increased or decreased by resolution of the city Council at any time during the year. A public hearing must be held prior to any proposed increase in a fund's appropriations. Budgets include activities in the General Fund.. The level of the Town's budgetary control (the level at which the Town's expenditures cannot legally exceed appropriations) is established at the department level. Each department head is responsible for operating within the budget for their department. All annual budgets lapse at fiscal year end.

Utah State law prohibits the appropriation of unreserved General Fund balance to an amount less than 5% of the General Fund revenues. The 5% reserve that cannot be budgeted is used to provide working capital until tax revenue is received, to meet emergency expenditures, and to cover unanticipated deficits. Any unreserved General Fund balance greater than 18% of the next year's budgeted revenues must be appropriated within the following two years.

Once adopted, the budget may be amended by the Town Council without hearing provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance. A public hearing must be held if the budgeted expenditures will exceed budgeted revenues and any fund balance which is available for budgeting. With the consent of the Mayor, department heads may reallocate unexpended appropriated balances from one expenditure account to another within that department during the budget year. Budgets for the General Fund are prepared on the modified accrual basis of accounting. Encumbrances are not used.

2-B. Deficit fund net assets

None of the Town's funds have deficit balances.

Loa Town
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

NOTE 3 - DETAILED NOTES

3-A. Deposits and investments

Cash and investments as of June 30, 2005 consist of the following:

	<u>Fair Value</u>
Cash on hand	-
Demand deposits - checking	\$275,100
Savings	109,874
Investments - PTIF	<u>267,969</u>
Total cash and investments	<u>\$652,943</u>

Cash and investments listed above are classified in the accompanying government-wide statement of net assets as follows:

Cash and cash equivalents (current)	\$645,619
Restricted cash and cash equivalents (non-current)	<u>7,324</u>
Total cash and cash equivalents	<u>\$652,943</u>

Cash equivalents and investments are carried at fair value in accordance with GASB Statement No. 31.

The Utah Money Management Act (UMMA) establishes specific requirements regarding deposits of public funds by public treasurers. UMMA requires that city funds be deposited with a qualified depository which includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements specified in UMMA Section 51, Chapter 7. UMMA provides the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and also defines capital requirements which an Institution must maintain to be eligible to accept public funds. UMMA lists the criteria for investments and specifies the assets which are eligible to be invested in, and for some investments, the amount of time to maturity.

UMMA enables the State Treasurer to operate the Public Treasurer's Investment Pool (PTIF). PTIF is managed by the Utah State Treasurer's investment staff and comes under the regulatory authority of the Utah Money Management Council. This council is comprised of a select group of financial professionals from units of local and state government and financial institutions doing business in the state. PTIF operations and portfolio composition is monitored at least semi-annually by the Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations. Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares. The Town maintains monies not immediately needed for expenditure in PTIF accounts.

Loa Town
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

3-A. Deposits and investments (continued)

Deposit and Investment Risk

The Town maintains no investment policy containing any specific provisions intended to limit the Town's exposure to interest rate risk, credit risk, and concentration of credit risk other than that imposed by UMMA. The Town's compliance with the provisions of UMMA addresses each of these risks.

Interest rate risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. All deposits and investments of the Town are available immediately.

Credit risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations. Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits. Demand and savings deposits are covered by FDIC insurance in the amount of \$200,000. Amounts of demand and savings deposits not covered total \$184,974.

Custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. This risk is addressed through the policy of investing excess monies only in PTIF.

Concentration of credit risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. PTIF falls under the constraints of UMMA in limiting concentrations of investments.

3-B. Receivables

The allowance policy is described in Note 1-E-3. Accounts not expected to be collected within one year are captioned as non-current receivables. Receivables as of year end for the Town's funds are shown below.

	General Fund	Water	Irrigation	Total
Due from other governments	\$22,974	-	-	22,974
Customers, current	1,664	17,422	-	19,086
Customers, non-current	-	-	-	-
Total receivables	<u>\$24,638</u>	<u>17,422</u>	<u>-</u>	<u>42,060</u>

Loa Town
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

3-C. Capital Assets

Capital asset activity for the governmental activities was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land and rights	\$ 21,720	-	-	21,720
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets, not being depreciated	<u>21,720</u>	<u>-</u>	<u>-</u>	<u>21,720</u>
Capital assets, being depreciated:				
Buildings	394,330	-	-	394,330
Improvements other than buildings	25,000	-	-	25,000
Machinery and equipment	68,000	7,600	-	75,600
Infrastructure	682,989	<u>-</u>	<u>-</u>	682,989
Total capital assets, being depreciated	<u>1,170,319</u>	<u>7,600</u>	<u>-</u>	<u>1,177,919</u>
Less accumulated depreciation for:				
Buildings	89,034	9,483	-	98,517
Improvements other than buildings	3,750	1,250	-	5,000
Machinery and equipment	21,200	2,822	-	24,022
Infrastructure	364,030	34,149	<u>-</u>	398,179
Total accumulated depreciation	<u>478,014</u>	<u>47,704</u>	<u>-</u>	<u>525,718</u>
Total capital assets being depreciated, net	<u>692,305</u>	<u>(40,104)</u>	<u>-</u>	<u>652,201</u>
Governmental activities capital assets, net	\$ <u>714,025</u>	<u>(40,104)</u>	<u>-</u>	<u>673,921</u>

Depreciation expense was charged to functions/programs of the primary government governmental activities as follows:

Governmental Activities:	
General government	\$ 1,375
Public safety - fire	8,461
Highways and public improvements	34,149
Parks, recreation and public property	<u>3,719</u>
Total	<u>\$47,704</u>

Loa Town
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

3-C. Capital assets, continued

Capital asset activity for business-type activities was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, being depreciated:				
Water fund:				
Buildings	\$ 22,311	-	-	22,311
Water distribution system	948,833	-	-	948,833
Irrigation fund:				
Irrigation distribution system	<u> -</u>	<u>8,183</u>	<u> -</u>	<u>8,183</u>
Total capital assets being depreciated	<u>971,144</u>	<u>8,183</u>	<u> -</u>	<u>979,327</u>
Less accumulated depreciation for:				
Water system	184,662	24,465	-	209,127
Irrigation	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>
Total accumulated depreciation	<u>184,662</u>	<u>24,465</u>	<u> -</u>	<u>209,127</u>
Total capital assets being depreciated, net	<u>786,482</u>	<u>(16,282)</u>	<u> -</u>	<u>770,200</u>
Business-type activities capital assets, net	<u>\$786,482</u>	<u>(16,282)</u>	<u> -</u>	<u>770,200</u>

Depreciation expense was charged to functions/programs of the primary government business-type activities as follows:

Business-Type Activities:	
Water	\$24,465
Irrigation	<u> -</u>
Total	<u>\$24,465</u>

Loa Town
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

3-D. Long-term debt

Long-term debt activity for the year was as follows:

	<u>Original Principal</u>	<u>% Rate</u>	<u>06/30/2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>06/30/2005</u>	<u>Due Within One Year</u>
Governmental Activities:							
Public Safety 2002 USDA	\$ 70,000	4.75	<u>\$ 68,854</u>	-	1,154	67,700	<u>1,209</u>
Total general fund			<u>68,854</u>	<u>-</u>	<u>1,154</u>	<u>67,700</u>	<u>1,209</u>
Business-type Activities:							
Water bond 2002A CIB	\$230,000	2.50	230,000	-	10,000	220,000	10,000
Water bond 2002B CIB	\$200,000		<u>200,000</u>	<u>-</u>	<u>10,000</u>	<u>190,000</u>	<u>10,000</u>
Total water fund			<u>430,000</u>	<u>-</u>	<u>20,000</u>	<u>410,000</u>	<u>20,000</u>
Total long-term debt			<u>\$498,854</u>	<u>-</u>	<u>21,154</u>	<u>477,700</u>	<u>21,209</u>

Water interest expense of \$8,833 has been included in the direct expense of the water operations activity on the government-wide statement of activities.

Revenue bond debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 21,209	8,716	29,925
2007	21,267	8,408	29,675
2008	21,327	8,098	29,425
2009	21,390	7,785	29,175
2010	21,456	7,469	28,925
2011-2015	112,385	32,415	144,800
2016-2020	122,575	23,025	145,600
2021-2025	107,337	12,213	119,550
2026-2030	16,819	5,306	22,125
2031-2035	<u>11,935</u>	<u>1,143</u>	<u>13,078</u>
	<u>\$ 477,700</u>	<u>114,578</u>	<u>592,278</u>

Loa Town
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

NOTE 4 - OTHER INFORMATION

4-A. Risk management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Town participates in the Utah Local Government Trust, a public agency insurance mutual, which provides coverage for property damage and general liability. The Town is subject to a minimal deductible for claims. There have been no significant reductions in insurance coverage from coverage in the prior year. Amounts of settlements have not exceeded insurance coverage in any of the past three fiscal years.

4-B. Employee pension and other benefit plans

Loa Town does not participate in the Utah State Retirement Plan.

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REQUIRED SUPPLEMENTAL INFORMATION
(Unaudited)

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Loa Town
Notes to Required Supplementary Information
June 30, 2005

Budgetary Comparison Schedules

The Budgetary Comparison Schedules presented in this section of the report are for the Town's General Fund.

Budgeting and Budgetary Control

Budgets for the General Fund are legally required and are prepared and adopted on the modified accrual basis of accounting.

Original budgets represent the revenue estimates and spending authority authorized by the Town Council prior to the beginning of the year. Final budgets represent the original budget amounts plus any amendments made to the budget during the year by the Council through formal resolution. Final budgets do not include unexpended balances from the prior year because such balances automatically lapse to unreserved fund balance at the end of each year.

Current Year Excess of Expenditures over Appropriations

Departments whose expenditures exceeded appropriations were administrative, in the amount of \$6,501, and cemetery in the amount of \$188.

Loa Town
**SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES -BUDGET AND ACTUAL-GENERAL FUND**
 (Unaudited)
 For the Year Ended June 30, 2005

	Budgeted Original	Budgeted Final	Actual	Variance with Final Budget Under (Over)
Revenues				
Taxes	\$ 84,050	83,808	107,885	(24,077)
Licenses and permits	13,950	6,774	8,202	(1,428)
Intergovernmental revenues	40,400	37,657	33,293	4,364
Charges for services	2,000	1,350	1,350	-
Interest	3,500	3,000	3,779	(779)
Miscellaneous revenue	<u>750</u>	<u>70</u>	<u>864</u>	<u>(794)</u>
Total revenues	<u>144,650</u>	<u>132,659</u>	<u>155,373</u>	<u>(22,714)</u>
Expenditures				
General government:				
Council	4,300	4,300	4,126	174
Administrative	35,000	26,271	32,772	(6,501)
Buildings	10,000	4,529	4,529	0
Public safety	7,600	6,983	6,544	439
Highways and public improvements	62,000	20,044	7,564	12,480
Parks and recreation	5,500	8,654	5,192	3,462
Cemetery	<u>1,000</u>	<u>9,347</u>	<u>9,535</u>	<u>(188)</u>
Total expenditures	<u>125,400</u>	<u>80,128</u>	<u>70,262</u>	<u>9,866</u>
Excess (Deficiency) of Revenues Over (Under Expenditures)	<u>19,250</u>	<u>52,531</u>	<u>85,111</u>	<u>(32,580)</u>
Net Change in Fund Balances	\$ <u>19,250</u>	<u>52,531</u>	85,111	(32,580)
Fund balances - beginning of year			<u>181,804</u>	<u>(181,804)</u>
Fund Balances - end of year			<u>266,915</u>	<u>(214,384)</u>

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